

The Presidency

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As a public institution in what remains a very challenging funding environment, San Francisco State University needs every available revenue tool to maintain its commitment to students. All across the country, the new normal for public colleges and universities is a world of diminished state support

and pressure from the legislatures to freeze tuition and fees. Our institution is no exception, which means we must rely on our foundation board to help manage our endowment. But our endowment isn't our reason for being, and our commitment to our students doesn't end with high-quality academics and the support services they need to succeed.

Over the last year, a growing number of student environmental organizations across the country have focused attention on university foundations, asking their institutions to divest their holdings and interests in fossil fuel-based companies. This is a difficult public policy issue because there are compelling arguments on both sides: Student organizations are justifiably concerned about the impact that fossil fuels have on the environment and on economic sustainability. While foundation board members may share students' environmental concerns, they also have the fiduciary responsibility to maximize the return on investments and meet commitments to the donors who have entrusted their philanthropic support in building the university's future.

This spring, a group of San Francisco State students who had formed a sustainability coalition on campus requested a meeting to discuss the university's foundation and how its endowment funds

are invested. Our campus holds social justice and socially responsible behavior as core values, so we welcomed the dialogue.

When we met with the students, our discussion was productive. The students had done their homework and were well prepared; they had already met with the chair of the foundation's Finance and Investment Committee. They articulated their concerns based on a review of the literature related to the impact that fossil fuels have on global warming, marine ecosystems, and related environmental challenges.

Following the student presentations, we provided an overview of the foundation's purpose and the responsibilities of the foundation board to its donors and the university. We reviewed the foundation's investment policy and how the endowment's \$51.6 million in investable assets is allocated. We explained that our exposure to fossil fuels was minimal—in the 5 percent to 6 percent range. It was helpful for the students to

Why (and How) We're Strategically Divesting from Fossil Fuels

learn more about how the endowment portfolio was allocated. We provided them with an overview that explained that slightly more than one third of the portfolio is invested in a fixed-income fund, a quarter is in a socially responsible fund with no current exposure to fossil fuels, and the balance is invested in other equity funds that may have some exposure to fossil fuels and other energy alternatives.

Following the meeting with the students, we apprised the foundation board of the students' positions and requests. We met with foundation's executive committee, and the board resolved that the San Francisco State Foundation would not invest directly in companies with significant production or use of coal and tar sands. The foundation board also agreed to amend the Investment Policy Statement to reflect this policy change.

We requested that the board also take affirmative steps to review its overall investment policy, and to assess the consequences of further divestment from fossil fuels in our separately managed accounts (SMAs), as well as in our comingled accounts. In practice, the decision to divest from comingled funds is far more challenging, since it typically requires leaving the entire fund, even if only a small percentage of its investments do not meet the criteria. We asked the board to establish an ad hoc committee of at least five directors—including the student representative on the board—to review our investment policy, identify all investments in fossil fuel companies, project the cost of divestment, and make recommendations for future changes to our investment policy. The ad hoc committee will also examine criteria for screening companies (for example, we currently screen out tobacco in



our SMAs). The ad hoc committee will report its findings and recommendations to us next spring.

The process we have established and the engagement with our students and foundation board have been constructive and informative, both for our students and the board. Our objective is to be responsive to student concerns about the environment while balancing the foundation board's fiduciary responsibility. We believe the process going forward can achieve that goal, ensuring that our foundation effectively balances investment actions with the university's social justice values. ■



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